

Message Text

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PAGE 01 CONAKR 00617 261530Z

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ACTION AF-18

INFO OCT-01 ISO-00 EB-11 COME-00 TRSE-00 OPIC-12 AID-20

OMB-01 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

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E.O. 11652: N/A

TAGS : EMIN GV

SUBJECT : BAUXITE - CBG RELATIONS WITH GUINEAN GOVERNMENT

1. FROM DISCUSSIONS DURING PAST SEVERAL DAYS WITH GUINEAN MINISTER OF MINES AND EXPATRIATE MANAGERS FOR CBG AND FRIGUIA CONCERNING COMPANIES' RELATIONSHIPS WITH GUINEAN GOVERNMENT IT APPEARS THAT BOTH COMPANIES HAVE CURRENT DIFFICULTIES WHICH ARE POTENTIALLY SERIOUS BUT WHICH COULD BE SOLVED THROUGH GOODWILL AND SOME GIVE AND TAKE ON BOTH SIDES.

2. AS FOR CBG, I LEARNED THAT PRIVATE PARTNERS HAD ASKED FOR GUINEAN GOVERNMENT AGREEMENT (REQUIRED UNDER BASIC ACCORD) FOR CBG TO BORROW \$40,000,000 FROM COMMERCIAL SOURCES TO COVER LOSSES BEING INCURRED DURING THIS SHAKEDOWN PERIOD OF THEIR OPERATIONS. GUINEANS, NOT WISHING TO INCUR ADDITIONAL INDEBTEDNESS WHICH WILL FURTHER PREJUDICE THEIR ABILITY TO DERIVE PROFIT FROM CBG OPERATION, REFUSED AND SUGGESTED PARTNERS INCREASE EQUITY CAPITAL. FOR POLITICAL AND FINANCIAL REASONS, GUINEANS ARE ANXIOUS TO FIND SOME WAY FOR COMPANY TO START SHOWING PROFIT AS SOON AS POSSIBLE AND COMPANY OFFICIALS WOULD NOT BE SURPRISED IF GOG REQUESTED INCREASE IN COST OF BAUXITE SOLD TO PARTNERS FOR THIS PURPOSE.

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PAGE 02 CONAKR 00617 261530Z

GUINEANS ALSO PRESSING FOR ALLOCATION OF CALCINE BAUXITE

WHICH IT CAN SELL FOR FOREIGN EXCHANGE, BUT APPARENTLY WOULD BE WILLING CONSIDER ALTERNATIVE MEANS OF RAISING FX WITHOUT INCREASING DEBT BURDEN. MEANWHILE COMPETITION GOING ON BETWEEN MARCEL CROS OF OFAB AND MIN ECON AND FINANCE ISMAEL TOURE TO FIGURE OUT METHOD BY WHICH GUINEANS COULD BEGIN TO RECEIVE SOME RETURN AND PRESENT THIS GOOD NEWS TO PRESIDENT TOURE. DATE AND PLACE FOR NEXT BOARD MEETING OF CBG STILL NOT FIXED BUT MID-JULY IN WASHINGTON SEEMS POSSIBILITY.

3. PRIVATE PARTNERS IN FRIGUIA (FRIALCO) SEEM UNSURE HOW TO RESPOND TO GUINEAN PROPOSAL THAT 1/3 CONVERSION RULE BE ABOLISHED. THEY ARE STILL THINKING IN TERMS OF PASSING BUCK TO OPIC OR OUTRIGHT REFUSAL. GENERAL MANAGER LIOTIER, WHILE HOLDING TO HARD LINE, SEEMS WILLING TO CONSIDER THAT SINCE COMPANY ALREADY CONVERTING \$2,400,000 ANNUALLY IN ADDITION TO 1/3 OF TRANSFER PRICE, IT MIGHT BE WORTHWHILE ACCEPT COMPROMISE CHANGING RULE FROM 1/3 TO A FRACTION REFLECTING MORE NEARLY CURRENT ACTUAL CONVERSIONS.

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